UNIVERSITY OF
ILLINOIS LIBRARY
AT URBANA-CHAMPAIGN
BOOKSTACKS

Digitized by the Internet Archive
in 2011 with funding from
University of Illinois Urbana-Champaign

http://www.archive.org/details/mythologicalbarr790andr

no. 790
cop. 2

BEBR

FACULTY WORKING
PAPER NO. 790

Mythological Barriers to the Use of Marketing Research by Small and Non-Profit Organizations

Alan R. Andreasen

LIBRARY U. OF I. URBANA-CHAMPAIGN

College of Commerce and Business Administration
Bureau of Economic and Business Research
University of Illinois, Urbana-Champaign

BEBR

FACULTY WORKING PAPER NO. 790

College of Commerce and Business Administration

University of Illinois at Urbana-Champaign

July 1981

Mythological Barriers to the Use of Marketing Research by Small and Non-Profit Organizations

Alan R. Andreasen, Professor
Department of Business Administration

Working Draft: Not to be quoted
without permission.

LIBRARY OF THE UNIVERSITY OF ILLINOIS

Abstract

Many small businesses and most non-profit organizations avoid undertaking needed marketing research because of five basic myths about the research function. Briefly, the myths assert that undertaking marketing research usually involves expensive, large scale survey studies that can only be carried out by "experts," and therefore are only justified for major decisions. Even in such cases in the experience of many executives, the research too often turns out not to be very surprising nor very useful, and this is relegated to the proverbial bottom drawer. This article disputes these claims showing how a careful research program (a) can be relatively low cost, (b) can do without surveys unless they are really needed, (c) can be conducted by non-experts, (d) can be used for many, even relatively minor decisions, and (e) need never by "off target."

Marketing research is becoming a vital management tool in more and more private sector business organizations. As markets become larger, more complex and more volatile, as competition increases and consumers become more fickle in their buying behavior and as key decision-makers necessarily become further removed from day-to-day contacts with the marketplace, appreciation for the role that research can play in improving marketing decisions has grown. At the same time, through advanced management programs, workshops, articles and self-study guides, a great many managers have increased their familiarity with research possibilities and with research techniques. See, for example, Simon 1968; DiMaggio, Useem and Brow 1978; Kotler 1975.

Yet, there remain a great many organizations that, despite the fact that they are of comparable size and complexity to these more sophisticated firms, have assiduously avoided more than cursory flirtations with marketing research activities. In part, this is simply the result of a lack of exposure to research either through formal or informal training or through day-to-day contacts with research-oriented managers. This is particularly a problem in many so-called small businesses as well as in most non-profit organizations. The latter have only recently come to see the role marketing principles and techniques can play in their operations and thus are even more hesitant about plunging into active research programs [Bloom and Novelli 1981].

There is, however, another set of barriers that have hindered the diffusion of research in both large and small organizations in both the public and private sectors. These barriers constitute certain misperceptions of what marketing research is and what it can do.

Stated in their most elemental form, the five basic "myths of marketing research" are:

1. The "Big Decision" Myth. The assumption is made that marketing research is something you call in when you have a major decision to make, that it has little role to play in nitty-gritty, day-to-day decision-making.

2. The "Survey Myopia" Myth. Market research is assumed to be mainly synonymous with field survey research involving random samples, questionnaires, computer printouts, statistical analyses and other esoteric technology.

3. The "Big Bucks" Myth. Marketing research is very expensive and so it can only be used by the wealthiest organizations and, then, as noted above, only for their major decisions.

4. The "Sophisticated Researcher" Myth. Since research involves complex and advanced technology, only trained experts can and should undertake it.

5. The "Most-Research-Is-Unread" Myth. A very high proportion of market research has turned out to be not really relevant to managers or it simply confirmed what management already knew. On the other hand, it is often so poorly designed and/or written up by the "experts" that it simply ends up neglected or in the "bottom drawer".

These "myths" are all either untrue or badly misstate the true potential of marketing research.

1. Market research potentially has an important role to play in a wide range of decisions, major and minor, to be made by the small business person or the non-profit marketing manager.

2. Marketing research can be carried out with a very modest budget using creative but legitimate research strategies.

3. Marketing research in the most sophisticated organizations is not just survey research but encompasses a diversity of approaches ranging from systematic observation to elaborate experimental designs.

4. Since much research does not necessarily involve complex sampling problems or "statistics", minimal familiarity with the kinds of things that could go wrong with various projects is all that the manager needs to know to undertake a careful, low-cost marketing research program. For those remaining investigations where expert assistance is necessary, it can be obtained on an ad hoc basis often at very little cost.

5. Finally, while there are many ways to carry out useless research, there is a limited set of critical guidelines which, if adopted, can assure the manager that virtually all the research he or she carries out will be useful and used.

The "Big Decision" Myth

It is basic to marketing decision-making that choices among alternatives should rest on cost-benefit considerations, either taking the alternative where the benefit/cost ratio is best or simply where the benefits exceed the costs sufficiently to justify the attendant risks. The latter rule-of-thumb clearly applies to marketing research.

The costs of research are usually of two major types, the cost of the research itself and the cost of delaying a decision until the results are in (losing sales and possibly giving an advantage to a competitor). The benefits, on the other hand, are in terms of improving the quality of the decision or decisions under consideration. How much better a decision will be after a given study is in turn primarily a function of two things: how much is at stake in the decision and how uncertain you are about the right course of action [Tull and Hawkins 1980, pp. 59-80]. (Note that the benefits of research are proportional to the manager's ignorance about what actions to take, not simply ignorance about some aspect of the marketing environment, although the latter may be a major stumbling block. For example, a manager may have little "feel" for how sales in his or her particular industry will fare next year, but believes that unless there is a virtual certainty of a major downturn, the best advertising budget decision is to increase expenditures 10 percent to promote a new product line. Under such conditions, research designed to predict industry sales--about which the manager is highly uncertain--would not be justified since he or she is highly certain about the best decision!)

These considerations suggest clearly that research can be justified even when the amount at stake is not very great. This would be the case whenever the research will not cost too much, will not take very long to complete (thus few losses from delay can be anticipated) and/or when management's uncertainty about what actions to take is very great.[1] It may also be justified where the stakes initially appear modest but are undervalued. In this regard, it is usually useful to think through the monetary consequences of making a wrong decision. Often when one considers the possible side affects of a bad decision on the organization's reputation, its future abilities to attract funding and staff, its sales of related products or its relationships with middlemen involved the proposed action, the costs of a bad, although seemingly trivial, decision may be very great indeed!

The reader, however, may grant all this but then assert that there really is no such thing as low cost research to meet these challenges unless one is willing to consider the proverbial quick-and-dirty-study that may well be worse than no research at all. This constitutes the second major barrier to research utilization.

The "Survey Myopia" Myth

Since any reliable information collected that helps managers make better marketing decisions can be considered marketing research,

---

[1]It is, of course, the case that research benefits should not just merely exceed costs, but that they should do so with a great enough margin to allow for the risk that the research may fail to yield the needed insights.

a great many alternatives to formal survey research immediately present themselves. Take as an example an entrepreneur thinking of introducing a new service but with high uncertainty about whether to go ahead with the venture without knowing more about (a) whether the target market will accept the service and, (b) if accepted, how quickly it can be expected to catch on. Let us further suppose that the new service, if successful, would yield a contribution to profits of only a few thousand dollars in the first few years. One could take a random sample of the target population and, by telephone or in person, seek out their individual reactions to the new service, and then try to ascertain their likely future use of it. If one wants the research to be 95 percent certain to being within two percentage points of the market share which you guess to be close to the breakeven figure of 10 percent, the sample size needed would be 900! Sudman suggests that, in 1979 dollars, simply completing the interviews, (thus assuming that the questionnaire and sampling plan are already designed and ignoring analysis and reporting-writing costs) would cost $2700 for a brief telephone interview or $6750 for a 10 minute personal interview in a metropolitan area [Sudman 1967].

Such research would clearly eat up the contribution profits in the first years. Further, there is a serious question of whether the research would yield valid data in any case. That is, one should ask whether it is reasonable to expect respondents to be candid about or even to know their likely behavior with respect to a new service especially if they feel it would be the courteous thing to do to not disappoint the interviewer or the research sponsor.

How else, then, might the research objectives be achieved at lower cost?

1. A market test could be undertaken with cooperative middlemen in selected representative markets [Achenbaum 1974]. This approach has the virtue of not only being of potentially relatively low cost but likely to yield better data, i.e., it will show what people will do not what they say they will do. A second virtue is that when tests are conducted at several sites, alternative marketing strategies can by systematically evaluated. Finally, if the venture succeeds, the market test can be kept in place and the research set-up costs written off against the actual introduction of the new venture.

2. Conducting what are called focus group interviews with 8 to 12 members of the target audience at a time is another low cost strategy for testing new ventures [Wells 1974; Calder 1977]. Although results are typically not projectable to the market universe because the groups are not "randomly drawn", still (a) the cost of personal interviewing can be halved or quartered; (b) richer data can be developed in the more relaxed "chatty" format of the focused groups, especially if the usual synergism develops where participants spark ideas off each other and, (c) the groups can at least alert management to any problems with the new service that would sabotage its introduction. In the latter case, assuming that several focused group sessions are employed covering the range of people likely to be target market members, the emergence of any serious problems mentioned by any

modest number of participants could be enough information to abort the launching of the service. For this objective, probability sampling designs are simply not needed.

3. Secondary sources could be researched [Daniels 1976]. It is possible that industry, government or academic sources would yield data on similar ventures tried in the past elsewhere in the U.S. or even in other countries. If such ventures exist, reports of case studies again may alert the managers to potentially fatal defects. Secondary data may also give information not only about likely acceptance or rejection, but possibly also about the rate and time-shape of future acceptance patterns. In this connection, library- based computerized information retrieval systems have proved particularly helpful to many small entrepreneurs searching secondary sources [Aaker and Day 1980, pp. 78-79].

3. The "Big Bucks" Myth

The foregoing hypothetical case points out that not only is market research much more diverse than the myopic observer would think, many alternatives to surveys are relatively inexpensive to undertake. That is not to say that market tests or focus group interviews may turn out to be more expensive than many small business decisions could justify. Fortunately, there exist many other techniques that can be used instead of surveys at considerably reduced cost. In addition, if a survey must be undertaken, there are many ways to reduce the out-of-pocket costs of the surveys themselves.

a. Alternative Low-Cost Research Techniques

1. Systematic observation. There are many kinds of marketing data that can be obtained simply by carefully observing relevant behavior. Pedestrian and vehicle traffic counts can be invaluable in assessing the success of a competitors' new product or service or for evaluating a new outlet location. The effectiveness of in-store displays or packages can be noted by having a staff person systematically record patron reactions. (Alternatively, the video cameras now commonly installed for security purposes could be used for this purpose.) The relative importance of outlet or product features can be determined by systematically recording customer questions and comments in the outlets themselves. An automobile dealer or service station could learn customer radio preferences by observing dial settings of cars brought in for service [Webb et al 1966]. Finally, salesmen who regularly visit customers could be directed to notice and record key data on reactions to new offers, future purchase plans, knowledge of competitors' plans and so forth.

Note that in all of these cases, what distinguishes marketing research from casual observation or a seat-of-the-pants "feel" for the market is (1) a careful specification of needed observational data, (2) systematic carrying out of the observation, paying careful attention to eliminating observer bias and obtrusive influences on observed individuals, (3) randomization of the times and places of observation and, if

possible, randomization of observers, and (4) careful recording and analysis of the results.

2. Archival Research. Much valuable marketing research data is often already "lying about" in many organizations waiting to be issued by the enterprising entrepreneur. For example, one can develop very good insights into competitors' advertising strategies or pricing practices from a trip to the local newspaper and a scanning of randomly drawn issues of past newspapers. Zip code data on existing charge customers can yield useful information on the geographic dispersion of a store or theater's customers and, when supplemented by census data, suggest income, education and other household characteristics [Hollander 1978]. Existing sales records can sometimes be used creatively to show the effects of advertising or to evaluate salespeople or the worth of continuing to solicit particular customers.

3. Systematic Experimentation. Many regular marketing efforts of small businessmen or non-profit organizations are amenable to experimental manipulations. For example, by systematically varying themes in routine fund-raising mailings, a non-profit manager over time can accumulate a great deal of scientifically validated information about which marketing strategies work and which do not [Campbell and Stanley 1963]. Newspaper advertisements similarly can be varied to show the effects of ad size, ratios of white space to copy, use of photographs and so forth. In the author's experience, however, many managers in such enterprises

are reluctant to experiment with their marketing strategies. They adopt what I have called the "one-best-strategy" approach, believing that the use of any alternatives other than that chosen as best (often chosen after long and careful evaluation) will yield results less than optimum. This myopic perspective, of course, ignores the real long-run benefits in better decisions that experimental results can generate that more than offset any opportunity losses. (And, of course, if the specific experiment shows that a rejected strategy is really superior, then of course there really are not any such losses!)

b. Reducing Survey Costs

1. Convenience samples are often adequate for many exploratory research purposes to identify potential market problems or to develop advertising or new product ideas. Indeed, many organizations miss important opportunities for collecting data from those with whom they regularly come in contact. We have already suggested the possibilities of salespeople systematically querying customer contacts. But customers coming to your outlet, patients in your hospital, even opinion leaders met at meetings or cocktail parties can be asked key managerial questions. Again, the secret is to carefully formulate the questions in advance, beware of biases, be thorough in carrying through the questioning and systematically record and analyse the results [Aaker and Day 1980, p. 243].

2. Snowball sampling can expand a convenience sample to those not normally encountered in the course of business. In this procedure, respondents in a convenience sample are asked to suggest others who might be contacted. Although obviously this is a biased procedure, snowball sampling has several advantages. Use of the original respondents' name (when permitted) in an introduction to the second set of interviewees can reduce the non-response/refusal problem significantly. Further, the second sample is likely to be closely matched to the original respondents in demographics and lifestyle characteristics. The original respondents are likely to propose contacting others much like themselves, and those of the new sample will differ mainly on one dimension only: they are not regular customers/contacts of the firm. Even though both samples are biased, the biases should be the same for both groups and thus the contrast between them can be especially instructive for many management purposes.

Finally, snowball sampling is a good way of finding rare populations where a general population survey would yield a vast number of ineligible respondents. For example, patients in a hospital with a particular affliction invariably will know someone with the same or similar problem. Or a customer for a particular product or service will often have discovered someone who already has the item or is also considering acquiring it from a competitor.

3. "Omnibus" surveys conducted regularly by commercial research suppliers such as Gallup can often accommodate a few key questions of interest to a marketing manager. The costs per question can be kept low since they are shared by several clients. And, if you are a legitimate non-profit organization, it may be that some research suppliers may "throw in" a few questions on an omnibus survey as a public service. Market researchers in local markets, when not conducting omnibus surveys, may be willing to help out non-profit organizations by "taking on" a modest number of key questions in studies they are already conducting.
4. Volunteers can sometimes be used to carry out survey (and other) studies. Many non-profit organizations regularly have access to pools of volunteers, e.g., through local service clubs. A few such volunteers could be assigned routine survey responsibilities, carefully trained in survey techniques and closely supervised in their work. Here the key is that the training of the volunteers should explicitly treat them as professionals, not simply gratefully settling for the fact that they are "helping out" as best they can. As noted earlier, bad research is often much worse than no research at all.
5. Nearby colleges with marketing research courses may be seeking term projects involving field survey research where a mutually profitable exchange could be established. Again, the key is to make certain that the "amateurs" are carefully trained and supervised.

4. The "Sophisticated Researcher" Myth

Since we have shown that much marketing research does not involve complex sampling and elaborate designs, and indeed purposely lacks randomization, it follows that a high level of sophistication in sampling exotica, statistics, computer analysis and so on are not needed. This does not mean that care and professionalism are also to be neglected. Those small business and non-profit managers planning to undertake a program of research should take the trouble to acquaint themselves with at least the rudimentary principles of random sampling, questionnaire design, and graphic presentation of results and acquaint themselves with the range of secondary resources that are typically available to the small enterprise and non-profit manager.[2]

Even where a higher level of sophistication is needed, for example where a more elaborate experiment or a careful field study project is being planned, needed research sophistication can often be acquired at relatively little cost on an *ad hoc* basis. One approach would be to seek the help of professors at local colleges. An alternative, particularly appropriate to non-profit organizations, would be to seek the voluntary help of local professional researchers. Indeed, it would seem a sound strategy for non-profits contemplating an extended program of research, both simple and sophisticated, to bring onto their boards of directors market research professionals to sit alongside the lawyers and accountants who have also been recruited, at least in part, because of their personal expertise and the organizational resources they might contribute from time to time to the non-profit enterprise.

---

[2]Readable basic references include Churchill 1979; Aaker and Day 1980; Tull and Hawkins 1980 and Ferber 1974.

5. The "Most Research is Unread" Myth

It is certainly true that a great amount of research ends up neglected since it did not meet management's needs. Unfortunately, too many of those who would just as soon not bother with research or who are subconciously fearful of what might be found out use this historical neglect as an "I-told-you-so" rationale for their inaction. But, rather than a general indictment of research, this neglect is simply a vivid testimonial to the poor planning that often goes into research. In my experience, no piece of well planned research was ever rejected as being unhelpful (although it may be ignored on other, often political, grounds). It is also true that managers have often said that the results were not surprising, but this often reflected the researcher's explicit strategy of keeping the manager well informed at each stage of the project itself.

How can one assure that research is not wasted? The answer rests with both the manager requesting the research and the researcher who carries it out. For the research to be most valuable, the following procedures should be adopted.

1. The research in the first instance should be undertaken only if it is specifically designed to contribute to one or more marketing decisions, either immediately or at some future point. This means that the manager must make clear to the researcher what decision alternatives are being faced and what it is about those decisions that the manager feels most in need of more information.

2. The relationship of the research results to the decision must be clearly understood. The researcher should prepare for the manager hypothetical tables of results indicating likely outcomes for the proposed research. This exercise will serve several purposes. The manager's reactions to the proposed tables will usually suggest revisions in the design to bring the research more "on target". By role playing the actual use of the data, the manager will, in effect, be pre-programmed to implement the results when they do appear. Finally, the required interaction will assure that the researcher does not promise too much nor that the manager expect too much from the researchers' outcomes.

3. The results must be well communicated. If the procedure of presenting hypothetical results is employed, by the time of the final report the manager should be quite familiar with the major intricacies of the research design and should appreciate the nuances of the findings. But many others not party to these interactions will learn about and use the results as presented in formal reports. As a consequence, the researcher should plan to spend up to 25 percent of his or her research time simply preparing the report. This means taking great pains to (a) simplify the presentation wherever possible; (b) "package" the findings with suitable graphics and vividly accentuated key findings; and (c) be candid about the limitations on the research while being careful not to hedge so much that the results are assumed not to be reliable at all!

CONCLUSIONS

Research need not be intimidating. It has a crucial role to play in effective management. There are, of course, many occasions on which one should not do research. But the neglect of research should not be because small business and non-profit managers entertain myths about the research process. By identifying five of these key myths and challenging their validity, the present paper should clear away some important psychological impediments to greater research use. The debate can now turn to more careful analysis of the specific conditions under which research of various kinds is warranted. Removing the scales from the eyes of otherwise effective managers is a critical first step in a long process with an ultimately great potential payoff.

M/C/273

REFERENCES

Aaker, David and George Day (1980), Marketing Research. New York: John Wiley & Sons.

Achenbaum, Alvin A. (1974), "Market Testing: Using the Markeplace as a Laboratory," in [Ferber 1974], 4-31 to 4-54.

Bloom, Paul N. and William D. Novelli (1981), "Problems and Challenges in Social Marketing," Journal of Marketing, 45, 2 (Spring), 79-88.

Calder, Bobby J. (1977), "Focus Groups and the Nature of Qualitative Marketing Research," Journal of Marketing Research (August), 353-364.

Campbell, Donald T. and Julian C. Stanley, Experimental and Quasi-experimental Designs for Research. Chicago: Rand McNally.

Churchill, Gilbert A. Jr. (1979), Marketing Research: Methodological Foundation. New York: The Dryden Press.

Daniels, Lorna (1976), Business Information Sources. Berkeley, Calif.: University of California Press.

DiMaggio, Paul, Michael Useem and Paula Brown (1978), Audience Studies of the Performing Arts: A Critical Review. Washington, D.C.: National Endowment for the Arts, Research Division Report #9.

Ferber, Robert (1974), Handbook of Marketing Research. New York: McGraw-Hill.

Hollander, Stanley C. (1978), "Retailing Research," in Gerald Zaltman and Thomas V. Bonoma, Review of Marketing 1978. Chicago: American Marketing Association, 73-137.

Kotler, Philip (1975), Marketing in Non-Profit Organizations. Englewood Cliffs, N.J.: Prentice-Hall.

Simon, Julian L. (1968), "A Huge Marketing Research Task--Birth Control," Journal of Marketing Research (February), 21-27.

Sudman, Seymour (1967), Reducing the Cost of Surveys. Chicago: Aldine Publishing Co.

Tull, Donald S. and Del J. Hawkins (1980), Marketing Research: Measurement and Method, 2nd Edition. New York: Macmillan Publishing Co., Inc.

Webb, Eugene, Donald T. Campbell, Richard D. Schwartz and Lee Sechrest (1966), Unobtrusive Measures: Non-reactive Research in the Social Sciences. Chicago: Rand McNally.

Wells, William D. (1974), "Group Interviewing," in [Ferber 1974], 2-133 to 2-146.

_____ and Harry A. LaScrito (1966), "Direct Observation of Purchasing Behavior," Journal of Marketing Research (August).

HECKMAN
BINDERY INC.
JUN 95

3 0112 060296206